BOSTON AND MAINE RAILROAD 124th ANNUAL REPORT 1956

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BOSTON AND MAINE RAILROAD 124th ANNUAL REPORT

for year ending December 31, **1956**

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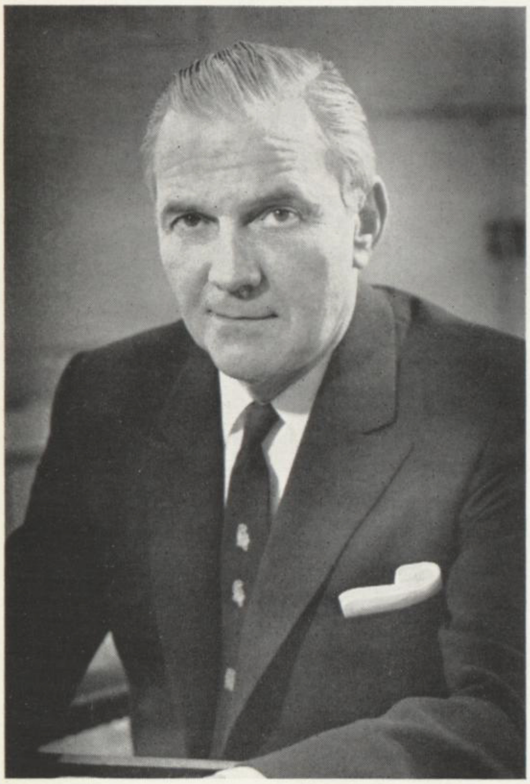
TRANSFER AGENTS

Old Colony Trust Company, 45 Milk Street, Boston
The Hanover Bank, 70 Broadway, New York City



TO THE STOCKHOLDERS: Your management recognizes that the restoration of our credit is a tremendous challenge because of the deficit passenger business.

Therefore, we have organized a three-year program with the objective of producing net earnings that will restore the Boston and Maine's credit.

The organizing of this program and the delegation of it to the staff took place in 1956. The program will be carried out in 1957, 1958 and 1959, but the positive effects should begin to reflect themselves during 1957. The objectives are:

1. To make the heavy density lines of the Boston and Maine as fine as those of any railroad in the country.

2. To eliminate the tremendous deficit in the passenger business.

3. To produce increased gross freight revenues by an active industrial development solicitation.

4. To produce additional gross freight revenues by participating in Plan 1 and Plan 2 Piggyback.

5. To advance these programs sufficiently in 1957 so that the maturity of $47 million first mortgage bonds maturing July 1, 1960, can be refunded.

The present credit position of the Boston and Maine is similar to the position that many railroads occupied prior to the adoption of a definitive credit-restoring program.

Your management had sufficient confidence to purchase $44 million worth of equipment since its election and to pay the preferred stockholders their full dividends, despite a series of unfortunate and non-recurring circumstances in the year 1956. Your management hopes the common stockholders of this company, so long unrewarded with any kind of return, will have the confidence and patience required to make their investment a high-grade equity, which your management confidently believes will be the case.

Sincerely,

Patrick B. McGinnis

REVIEW OF 1956

Our operating revenues amounted to $88,038,520, or 2.5 per cent more than the $85,906,610 volume of business reported for 1955.

Net railway operating income decreased to $4,758,643 from $6,894,531 as reported a year earlier. After miscellaneous deductions, $5,161,665 remained available for fixed charges, compared with $7,469,048 in 1955. After fixed and contingent interest charges, net income was $741,226 in contrast with net income of $3,322,667 reported for 1955.

Although your management continued to closely control the railroad's operating expenses, general wage increases granted on a national scale, two tragic wrecks, extremely cold weather and heavy snows were, to a large extent, responsible for higher operating expenses in 1956.

A general wage increase granted in December of 1955 cost the Boston and Maine approximately $5,000,000 yearly, an expense that a freight rate increase granted three months later failed to offset. In November, 1956, further wage increases went into effect, which will cost the railroad an estimated $2,100,000 annually.

Circumstances beyond the control of your management, including the East's worst blizzard since 1888, made railroad operations most difficult and costly during early 1956. The snowfall varied in depth from 21 to 42 inches. This unusual weather, accompanied by winds of gale force causing high drifts, completely paralyzed industry and normal community activity for several days.

RENTS

Rents payable in 1956 totalled $6,601,995, compared with $6,347,514 during 1955. Freight car rentals amounted to $6,058,326 as against $5,890,729 during 1955.

The Interstate Commerce Commission denied a re-hearing of its findings which sustained the $2.40 per diem rate established August 1, 1953, for the use of freight cars belonging to other railroads. The Boston and Maine and several other railroads, which pay a higher proportion of per diem costs than do the larger railroads, have appealed this decision to the United States District Court, Massachusetts.

On January 1, 1957, the per diem rate was again increased to $2.75 per car per day. The resultant yearly increase of $480,000 in car hire costs is expected to be more than offset by the greater per diem earning potential of our new and upgraded freight car fleet, the greater part of which will be delivered and placed in service in 1957.

OTHER INCOME

Other income during 1956 amounted to $895,907, compared with $1,119,118 a year earlier. The decrease was principally due to interest received in 1955 on Federal Income Tax refund.

TAX ACCRUALS

Railway tax accruals aggregated $5,941,365 in 1956, compared with $6,934,991 in 1955.

Federal income taxes in 1955 amounted to $1,197,636. In 1956, adjustment of prior years' accruals resulted in a credit of $403,267.

Payroll tax for employee unemployment and sickness benefits increased from one-half to one and one-half per cent, effective January 1, 1956, and accounted for the $425,727 increase over 1955 in unemployment tax. A further increase to two per cent became effective January 1, 1957. Benefits under the Railroad Retirement Act were liberalized in July, 1956, by ten per cent, and while no increase in the payroll tax rate was made, legislation for this purpose is now pending before Congress.

The provision made for taxes is shown in the following table:

		1956	*1955*
State and Municipal Taxes		$3,168,396	$2,953,610
Federal Payroll Taxes		3,166,553	2,772,933
Federal Income Taxes	Cr.	403,267	1,197,636
Other Taxes		9,683	10,812

Conferences with representatives of the Internal Revenue Service resulted in a tentative reduction in the government-proposed additional tax assessment for the 1942–1950 tax returns from $734,000 to $28,000.

In the local field, important abatements of taxes were effected, including one on the North Station property in Boston of upwards of $308,600, including interest.

In order to bring to the attention of our officers, directors, stockholders, employees, and the general public the great influence of ad valorem taxes on our revenues, your management has had prepared statistics on such taxes in the Commonwealth of Massachusetts. Our statistics reveal that in 1946 the Boston and Maine Railroad paid a total of $1,543,850 in Massachusetts ad valorem taxes. By 1955, the total annual payment had risen to $2,178,299, and in 1956 increased still more to $2,448,238. The 1956 payment represented an increase of 12.4 per cent over 1955 and was an astonishing 58.6 per cent over corresponding taxes paid in 1946.

OPERATING RESULTS

The volume of freight traffic handled in 1956, measured by gross ton miles, increased 2.1 per cent over that of 1955. Net ton miles of revenue freight carried in 1956 were 3.5 per cent greater than in 1955.

The average gross train load in 1956 was 2,576 tons, an increase of 1.7 per cent over 1955. Average train speed, based on the road time between terminals, was the same as that of 1955, which limited to 1.5 per cent the year's gain in gross ton miles per train hour.

Miles per locomotive day for all road freight units in 1956 rose to a new high record of 142.5.

In passenger service, miles per locomotive day averaged 124, a new high record.

Average miles per day for all motor cars (principally Budd cars) rose to 221.9 for 1956, as opposed to 207.3 in 1955, another new high record.

PASSENGER BUSINESS

Passenger revenues during 1956 amounted to $10,348,600, an increase of 3.6 per cent over 1955. A total of 14,084,836 passengers were carried, 0.8 per cent more than in 1955.

This increase was attributable to the replacement of older coach equipment by our modern fleet of Budd cars and to the extremely cold weather and heavy snows which invaded the eastern section of the country during the early months of 1957, making highway travel difficult. The increase was due, also, to a five per cent increase in coach and first class (parlor and sleeping car) fares. Commutation fares were excluded from this increase, which became effective May 1, 1956.

During the fall of 1956, your management filed a petition to impose a flat increase of 20 cents per ride on all coach fares, including those for commutation travel. During the months of December, 1956 and January, 1957, hearings were held before the Interstate Commerce Commission and the various state commissions involved, and decisions are expected in the near future. If the increases are granted, they would result in estimated additional passenger revenue of $2,750,000 yearly, based on the volume of riding in 1956.

HEAD-END BUSINESS

Mail revenue in 1956 amounted to $2,996,475, a decrease of 4.2 per cent from the $3,127,336 revenue in 1955. Express revenue was $1,284,297, a 13.7 per cent increase over the 1955 revenue of

$1,129,460. Revenue from carrying milk was $1,311,080, a reduction of 0.9 per cent from the 1955 revenue of $1,323,105.

In addition to these revenue statistics, the following information on head-end business is of interest.

a) Express Study — Our reports developed that the express operating ratio in 1955 was 154 per cent on a fully-allocated cost basis on the Boston and Maine Railroad. This condition was greatly improved as a result of close cooperation between our head-end department and the Railway Express Agency. By January 1, 1957, car foot miles in express service had been reduced materially and express privilege payments for 1956 were ahead of 1955. Because of these two changes, express on the Boston and Maine is now being handled at approximately a 100 per cent operating ratio.

The reduction in car requirements has reduced the express handling expense of the Boston and Maine by about $500,000. The Railway Express Agency closed or consolidated 20 agencies in our territory during the last six months of 1956, reduced annual train messenger expense by $72,000 and three non-profitable express truck routes were eliminated. With 45 per cent of the Railway Express Agency's expense in our territory being incurred at Boston, the agency started a thorough study of Boston operations and, if successful, this should further increase the savings and produce greater revenue for the Boston and Maine.

b) Trucking — With close cooperation between the railroad and the Post Office Department, plans have been made for a coordinated rail-truck operation to handle mail, express and less-than-carload freight in the Conway branch territory, using our trucking subsidiary. Your management filed for rights in the territory late in 1956, and it is expected to start operation in 1957. In the meantime, several truck routes have been established.

All of these truck routes have been fully justified on a net saving basis. A proposed operation on the Gloucester branch and East Route is expected to produce estimated annual savings of at least $75,000. The Dover to Portland operation has produced a saving of about $80,000 per year through the elimination of train service formerly required to handle head-end traffic.

FREIGHT OPERATIONS

Freight revenues in 1956 amounted to $67,941,421, an increase of 2.4 per cent over the $66,346,979 revenues in 1955. Freight volume, measured in ton miles of revenue freight, showed an increase of 3.5 per cent over 1955, and this was accomplished in spite of the non-recurring traffic which the railroad handled in 1955 due

to the New England truck strike in the middle of the year and traffic handled by the Boston and Maine because of flood conditions on the lines of other New England carriers. The increase in volume came entirely during the first six months of 1956. Traffic during the last six months was adversely affected by the mid-year strike in the steel industry, several strikes in other industries served by the Boston and Maine, and a substantially reduced movement of automobiles and automobile parts as a result of generally curtailed activity in the automobile industry.

On March 7, 1956, a general increase in freight rates and charges was made as a result of authority obtained from the Interstate Commerce Commission in Ex Parte 196 and from the various state commissions in our territory. This increase was generally six per cent with the exception of various specifics and hold-downs on certain commodities. Another general increase in freight rates was made on December 28, 1956, as a result of permission received from the Interstate Commerce Commission in Ex Parte 206 and from the various state commissions. This was an interim emergency adjustment necessitated by increases in wages and costs of materials during the year. This increase was seven per cent within the East and five per cent inter-territorially, and again was subject to various specifics and hold-downs.

Unfortunately, the anticipated additional revenues resulting from these two increases will be insufficient to cover the cost to the Boston and Maine of increased wages and higher prices of materials.

Pending before the regulatory bodies is an application for a general increase of 22 per cent in lieu of the seven per cent already granted, which is designed to not only compensate the carriers for additional wage increases but also to give them a reasonable return on their investments. Hearings on this petition are scheduled for the spring of 1957, and opposition is expected from many quarters.

Certain developments which have occurred during the past few years prompt your management to be optimistic over the long-range outlook for the handling of freight traffic in its territory.

Much publicity has been given to the decline of the textile industry in New England, and there has emerged in many circles a feeling that the New England rail carriers are doomed on this account. The fact of the matter is that the textile industry in and of itself never was a substantial contributor of freight traffic to the New England railroads. Its value has rather been in the employment of a large number of persons, which created a demand for consumer goods. In most cases where textile plants have closed their operations,

they have been replaced by varied industries and almost invariably with an increase in the payroll in the community where the change has taken place. The increase in buying power in this territory has done more to create tonnage and revenue for the railroads than the operation of the textile plants contributed.

The largest source of freight revenue for the Boston and Maine is the paper industry of northern New England. This industry is divided into two parts — the so-called integrated mills, whose operations start with the wood from the forest and turn it into completely manufactured paper, and the so-called converting plants, which use woodpulp, waste paper, rags or partially-manufactured paper and convert these into various papers and paper articles, ranging from papers in the tissue group to a long list of specialties. Most of the integrated plants were for many years dependent upon the supply of native softwoods in the northern New England area. As this supply became depleted, it became necessary to reach into distant sources of supply for this raw material, and the entire existence of these plants was seriously threatened. However, processes have been developed which make it possible for these plants to use all kinds of wood, including the native hardwoods, the supply of which is plentiful. This development has revitalized the paper industry of New England. Many millions of dollars have been poured into paper-producing plants in this area during the last few years, production has greatly expanded and, almost without exception, the mills are operating to capacity. Too much emphasis can hardly be placed on the importance of this development to the future of northern New England and to the railroads which serve it.

Another development which must be considered as highly favorable to the freight traffic potential of the Boston and Maine Railroad is the production of power in its territory. For many years, residual fuel oil has been displacing bituminous coal in the production of power in New England to an ever-increasing extent. This area was peculiarly vulnerable in this respect because fuel oil reaching New England ports by water can be laid down at costs equal to or only slightly higher than the costs at other port cities, whereas the location of the bituminous coal fields makes the delivered cost of coal in this area higher than in most other eastern territories.

Fortunately, the displacement of coal by oil has reversed during the past two years. Residual oil prices have increased sharply, and developments in the Near East have not only reduced the supply of this fuel, but have tightened the vessel situation. As a result, coal's competitive position is now better than it has been for many years.

In addition, improved stoking methods are making it possible for modern coal-burning equipment to use efficient low-grade coals originating in Pennsylvania and northern West Virginia, which move all-rail into New England, improving the competitive position of coals from these fields as compared with coals from southern West Virginia, which reach New England by water through Hampton Roads and from which the Boston and Maine Railroad derives little revenue. The present situation with respect to coal-carrying vessels also favors the movement of all-rail bituminous coal into this territory. We confidently expect a substantial and continuing increase in our revenue from this important commodity.

* * * * * * *

Of the efforts to attract new business made by your management during 1956, few were more important than those expended in negotiations with officials of the Holyoke Water Power Company of Holyoke, Massachusetts, relative to the proposed Mount Tom electric power plant.

Briefly stated, the Holyoke Water Power Company proposes to construct this new plant on 85 acres of land purchased from the railroad and which tract lies between the Connecticut River and the Boston and Maine's main line at the gap where the river flows between the Mount Holyoke and Mount Tom ranges near Mount Tom Junction, about six miles north of the Holyoke passenger station.

This plant, expected to burn a minimum of 5,000 cars of coal a year (about 300,000 tons), would be erected to take care of the rapidly-increasing use of electric power in western Massachusetts.

The importance of this proposed plant to the Boston and Maine Railroad is tremendous, when it is considered that for the entire year of 1956, the total number of carloads of bituminous coal terminating on the Boston and Maine was 20,551, or about 1,200,000 tons.

The site of the proposed new power plant is large enough to hold several units of the size initially planned. Should this new electric station be expanded, its use of rail-haul coal might well double or triple.

PIGGYBACK

Trailer-on-flatcar service, generally referred to as Piggyback, was inaugurated by the Boston and Maine on May 1, 1956, in conjunction with various railroads operating in Eastern and Middle Western territory under the so-called Plan 2. Under this plan, the railroad performs the service on a door-to-door basis. The railroad

publishes the rates for the complete service of loading the freight into trailers at the shipper's plant, moving the trailers to points where they are loaded onto flat cars, transporting the trailers by rail to unloading points, unloading the trailers, hauling them to the receiver's door and unloading the freight at destination. This service is performed at rates equal to the common carrier motor truck rates. A special department of the railroad has been created to supervise these operations.

➔ *Weighing 90 tons, this atomic power plant equipment is being loaded on a flat car for shipment from our station at West Concord, Mass. Easily adaptable to extraordinary shipments, the railroads perform tasks of this type for freight shippers almost daily.*

➔ *We are going forward with piggyback operations with a view of recapturing business from manufacturers of miscellaneous goods. Pictured here is a view of our piggyback loading operations at the yards at East Cambridge, Mass.*

Negotiations have also been completed with the Erie Railroad and the Delaware and Hudson Railroad with respect to extending this service to the so-called Plan 1, whereby the railroad handles the trailers of common carrier motor truck operators between given terminals, in which case the motor carrier pays the rail carrier part of his revenue for the road haul between terminals.

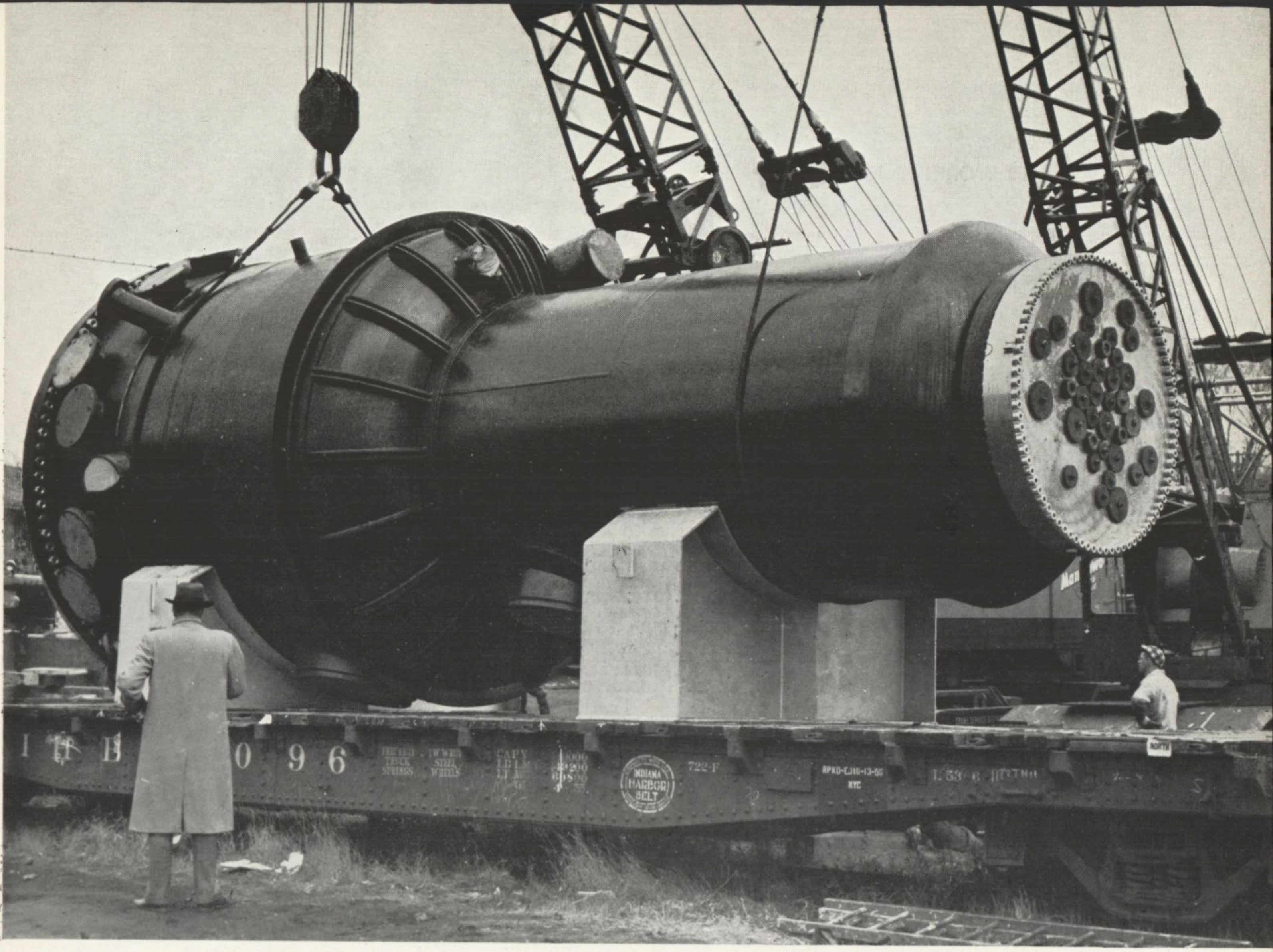
During 1956, the Boston and Maine became a member of the Trailer Train Corporation in association with the Pennsylvania, Norfolk and Western, Missouri Pacific, Wabash, Burlington and Missouri-Kansas-Texas Railroads. The corporation will purchase and lease certain equipment necessary for piggyback operations. It is your management's conviction that this move will assist us in recovering a substantial portion of the heavy tonnage forfeited in the past to the trucking industry.

INDUSTRIAL DEVELOPMENT

Forty-four building projects for new plants, additions to and expansions of existing facilities involving 2,600,000 square feet of space and a total investment of some $52,000,000 were developed in 1956 in Boston and Maine territory. Other projects involving new plant construction were deferred temporarily because of the rigidity of the money market.

New traffic for the Boston and Maine Railroad, resulting from new and expanded plants, utilization of available buildings and new track facilities will amount to approximately 14,500 cars annually. Your railroad actively participated in the development of new industrial parks during 1956. Nine new parks or industrial centers were established during the year, with five new plants being constructed in industrial park areas in our territory during 1956.

One development worthy of mention is the new sugar refinery planned by American Sugar Refining Company, which has acquired the Dewey Beach property in Charlestown, Massachusetts, and has options on adjacent property, all of which totals more than 500,000 square feet of land. It is expected that American Sugar will start construction of its new refinery at this location during 1957.


INDIANA
HARBOR
BELT


601
PIGGYBACK
BOSTON AND MAINE RAILROAD
BOSTON
&
MAINE
TRANSPORTATION CO.
BOSTON, MASS.

WAGE AND WORKING RULES

The year 1956 witnessed many requests for changes in working rules and wage contracts, and settlements were made in most instances by long-term package agreements.

On January 25, 1956, an agreement was reached with the Railroad Yardmasters of America, granting to those employees a monthly wage increase of $43, retroactive to October 1, 1955, of which $6.80 was allowed in lieu of a health and welfare program.

A similar agreement was made February 1, 1956, with the American Train Dispatchers Association, providing for a monthly increase of $34. Settlement was also reached in February with the American Railroad Supervisors Association, granting them a monthly increase of $35, retroactive to January 1, 1956.

The trend toward long-term wage contracts was first noted in settlement on November 1, 1956, of demands made by the non-operating employees, who were granted a three-year wage settlement providing for an increase of ten cents per hour, effective November 1, 1956, an additional seven cent hourly increase on November 1, 1957, and a similar seven cent increase on November 1, 1958. The agreement also contained provisions for a carrier-financed health and welfare plan for dependents, effective December 1, 1956, and a cost-of-living escalator clause, with adjustments being made at six-month intervals beginning May 1, 1957. A moratorium until November 1, 1959, on other wage increases or decreases or other rules applicable to compensation was also included.

The agreement made November 20, 1956, with the Brotherhood of Locomotive Firemen and Enginemen closely followed the pattern established by the non-operating agreement, granting a ten cent hourly increase to firemen and hostlers, effective November 1, 1956, and seven cent increases in 1957 and 1958. A six cent increase will be made if the firemen's work week within yard service is converted to a five-day basis.

Pending at the year's end were wage disputes with the Brotherhood of Railroad Trainmen, Brotherhood of Locomotive Engineers, Railroad Yardmasters of America and the American Railway Supervisors Association. At the conclusion of handling by a mediation board, a Presidential Emergency Board was created on December 22, 1956, to further investigate demands of the Brotherhood of Railroad Trainmen for wage increases and the railroad's counter-proposals.

Negotiations with the Brotherhood of Locomotive Engineers on their demands for a 15 per cent wage increase and with the Railroad Yardmasters of America for a $33 monthly increase are currently

under the jurisdiction of the National Mediation Board. Eventual settlement of these demands is expected to follow the pattern already set by the non-operating employee contract.

It is expected that the moratorium provisions of the various 1956 settlements will help to stabilize conditions and rules changes until November 1, 1959.

NEW EQUIPMENT

During 1956, the Boston and Maine Railroad placed in service 34 additional stainless-steel, air-conditioned rail diesel cars, popularly known as Budd cars and used primarily for commuting in the Boston suburban area. The Boston and Maine, at the year's end, owned a total of 100 of these cars, by far the largest fleet of its type in the world. The use of Budd cars has permitted your management to retire from service all remaining steam locomotives.

Still on order is a low center of gravity, streamlined Talgo train, manufactured by ACF Industries, Inc. Delivery of this train is expected in the summer of 1957. Also on order are two 1,200-horsepower road passenger locomotives, which will be used to furnish power for the Talgo. These locomotives, which are being manufactured by Fairbanks-Morse Company, will be delivered at the same time the Talgo is due to arrive.

On order, too, are fifty 1,750-horsepower freight locomotives, being re-manufactured at LaGrange, Illinois, by the Electro-Motive Division of General Motors Corporation.

Other new equipment on order includes three additional Budd cars, 539 forty-foot box cars, 300 open-top hopper cars, 100 flat cars and 35 insulated box cars to be used for milk service. Delivery of all of this equipment is expected during 1957.

FREIGHT CARS

Received during 1956 were 1,000 new steel box cars. Each of these cars is 50 feet long, contains 9-foot doors, is of all-steel construction and is equipped with nailable steel floorings and roller bearings. To further emphasize the existence of these new cars, the management has painted each a bright, distinctive blue that has caused much favorable comment from railroaders, shippers and the general public.

Also received during the year were 26 covered hopper cars.

During 1956, a total of 732 box cars and 224 gondola cars were repaired under a sale and lease-back program.

Total revenue freight car ownership plus leased cars at the end of 1956 was 5,656, which was 1,086 cars more than the railroad possessed at the beginning of the year. The additional 1,000 cars now

Part of the new program of cycle maintenance on heavily-travelled trackage on the Boston and Maine is the acquisition of modern maintenance of way machinery pictured (above). A new heavy-duty multiple tamper is cribbing crushed rock ballast under the ties, creating a smoother main line.

A view of one of our new Budd cars #6146 going through the washer at our Boston Engine Terminal. Sister Budd car #6153 waits her turn in the background.

being received will result in more than 2,100 additional owned and leased cars in a two-year period.

To keep pace with its desire to have available equipment needed by the varied industries in its territory, the Boston and Maine continues to experiment with new types of equipment. The mechanical department is presently studying the development of specialized cars to be used in hauling lumber, feed and other commodities.

UPGRADING FREIGHT CARS

The program of upgrading revenue freight cars, instituted in 1955, under an arrangement whereby our oldest cars are sold to an equipment company, repaired in our shops at the expense of the purchaser and leased from the purchaser by the railroad, was continued during 1956.

Under this program, a total of 1,300 box cars and 350 gondola cars will have been so repaired and restored. Of this total, 956 were restored in 1956.

LOCOMOTIVES

The Boston and Maine Railroad, as of September 1, 1956, had an ownership of 252 diesel locomotives, comprising 285 units. In October of 1956, arrangements were made with the Electro-Motive Division of General Motors Corporation to rebuild and modernize 24 of our freight diesel locomotives.

The old locomotives each consist of a locomotive unit with a trailing power unit, of 1,350 horsepower per unit. Under the conversion program, each unit will become an individual locomotive of 1,750 horsepower. This will provide obvious advantages in greater flexibility and increased hauling capacity, materially reducing our requirements for helper service over our heavier grades.

The locomotives programmed for conversion are obsolete and due for heavy repairs which, if done in our own shops, would entail heavy expenditures without permitting the upgrading possible under the agreement with General Motors.

PROPERTY IMPROVEMENTS

In line with the intention of your management to keep maintenance at a safe level, a vigorous program of property improvement was undertaken during 1956. Much of the work came about as a result of recommendations arising from a study of our property, made by a retired chief engineer of one of the nation's most successful railroads. The report, submitted last May 1, strongly urged that

the Boston and Maine enter upon a planned program of property improvement.

To understand the problem of maintenance of way on the Boston and Maine Railroad, reference must be made to statistics revealing that 42 per cent of the railroad produces only two per cent of the freight business; that 58 per cent of the railroad produces the other 98 per cent of the freight business; and that the 27 per cent of the railroad lying between Mechanicville, New York, and Boston, between Worcester and Lowell, Massachusetts, and between Lowell, Massachusetts, and Portland, Maine, produces 74 per cent of the freight business.

Therefore, our maintenance of way problem concerns itself primarily with 27 per cent of the railroad and, at the outside, 58 per cent of the railroad.

As a result, the management has scheduled a three-year program of replacing our present sand-gravel track ballast with new crushed stone, and during 1956 a total of 32.2 single track miles of main track was ballasted with stone.

Our three-year program also calls for the renewal of rail and the installation of new ties, and satisfactory progress was made in this respect throughout the year. As our financial status improves, it is hoped that such work can be greatly expedited.

At the Hudson River bridge at Mechanicville, New York, the masonry of three piers was restored and strengthened during 1956 as part of a program due for completion in 1958 to protect this important structure.

The major track bridge work during the year was in connection with the Winchester, Massachusetts, project (state contract), which involved the construction of seven structures over highways and two over waterways. New overhead bridges were constructed by state contractors under highway work programs at Concord, New Hampshire, and at Chicopee, Chelsea, Lawrence and North Chelmsford, Massachusetts.

Immediately following election to office, your management undertook a vigorous program of eliminating grade crossings, both public and private. The number of successful claims against American railroads in connection with crossing accidents has grown to such alarming proportions, both in number and size of claims, that the Boston and Maine fully intends to carry out its plans to this end.

The signal and communications departments have also closely followed their long-standing policy of installing modern communications and signal equipment where needed.

One of the most troublesome grade crossings on the Railroad, located at Winchester, Mass., was eliminated in 1956. Here is a view of the modern facilities for passengers built as a part of that crossing elimination project.

The contract relative to installation of CTC from North Beverly to Newburyport, Massachusetts, has been let and work is expected to begin about May 1, 1957. The contract on the CTC project covering the line between North Chelmsford and Ayer, Massachusetts, has been let, and work is expected to be started during the summer of 1957. Our maintenance of way forces are picking up the third iron from Westminster to South Ashburnham, Massachusetts, preparatory to placing this entire line under CTC. Finally, preliminary plans are being worked on that will lead to the installation of CTC from Concord to Westboro, New Hampshire. This installation is expected to be completed during 1958.

In order to carry out the recommendations that we install still additional CTC, your management has scheduled this work over a five-year period.

Worthy of mention is the construction of a new, $1,500,000 service building for the railroad's Budd cars at the Boston Engine Terminal. Of concrete construction and 720 feet in length, this structure will have a two-track layout with a capacity for 16 Budd cars and will provide fuel, oil, water, sand, testing and inspection facilities. A car-washing facility will be constructed outside and adjacent to this service building. On December 31, 1956, this project was approximately 55 per cent completed.

PURCHASES

Cost of materials used by the railroad continued to advance during 1956. The overall increase, on a weighted average basis, was about five per cent. Because wage increases will be automatic for many industries during both 1957 and 1958, overall material costs will undoubtedly continue to advance.

Boston and Maine diesel fuel purchases in 1956 were made at an average cost of 10.65 cents per gallon, compared to an average cost of 9.91 cents in 1955.

The total cost of materials and supplies purchased in 1956, including locomotive fuel, cross ties and lumber, but excluding new rolling stock, was $11,751,495, compared with $9,434,951 during 1955.

MYSTIC TERMINAL COMPANY

A total of 364 domestic and foreign ships were berthed at the Hoosac and Mystic piers during 1956, compared with 316 in 1955. These ships loaded and unloaded 356,621 gross tons of cargo, includ-

ing 89,185 gross tons of export grain in 1956, compared with 296,785 gross tons of cargo and 18,747 gross tons of export grain during 1955. The 1956 tonnage would have been substantially higher were it not for the ten-day longshoremen's strike in November.

A total of 7,161 freight cars were handled in 1956, compared with 5,234 cars in 1955.

A service to Cuba (Grancolombiana), Mexico and the Caribbean coast of Colombia commenced operations at our piers during 1956. We have also added the Brodin Line to our list of South American services. The Federal Government dredging project in the Mystic River, mentioned in the 1955 annual report, was completed.

* * * * * * * * * * * * * *

Of great importance is the recent sub-lease your management negotiated with the Interoceanic Commodities Corporation of New York, effective October 18, 1956, with respect to the use of the facilities of the Hoosac Grain Elevator. This company is one of the largest exporters of grain and other feed products, and its operations are world-wide. Based on conservative estimates, Interoceanic is expected to handle 5,000 carloads of grain in the elevator during 1957, which would bring gross revenues of approximately $500,000 to the railroad each year, compared with gross revenues of $28,000 in 1955.

For the first time in some 25 years, the complete utilization of the valuable railroad-owned Mystic Wharf property is about to be realized. Negotiations with the Mystic Coal Dock, Inc., a wholly-owned subsidiary of Pocahontas Fuel Company, for a revised, concentrated area of operation have been concluded, and an agreement has been entered into with Michael Schiavone & Sons, Inc., a large dealer in processed materials, for practically all of the remaining portion of the waterfront property.

BOSTON & MAINE TRANSPORTATION COMPANY

The Boston & Maine Transportation Company, a wholly-owned bus and truck subsidiary, experienced a continuing decline in bus travel during 1956, resulting in a 15.7 per cent reduction in bus revenue and a 22.3 per cent reduction in bus-miles operated, compared with 1955.

In addition to curtailments on presently-operated bus routes, service was discontinued entirely between Nashua and Peterboro, Nashua and Manchester via Litchfield, Concord and Claremont and

locally between Manchester and Plymouth, all in New Hampshire, and locally between Portland and Biddeford in Maine.

On December 31, 1956, the company owned 61 buses, compared with an ownership of 75 at the beginning of the year.

Truck revenues increased 14.9 per cent due to work performed for the railroad in connection with Piggyback and pick-up and delivery, both services established during 1956. There was also an increase of 10.9 per cent in truck-tonnage carried.

To handle the increased business, the truck fleet on December 31, 1956, consisted of 23 trucks, 39 tractors and 69 trailers, an increase of two trucks, four tractors and seven trailers since January 1, 1956.

MISCELLANEOUS DEVELOPMENTS

Early in 1956, top officials of the Boston and Maine Railroad, including the president, formed the Facility Study Project Group, charged with the responsibility of effecting savings in the operations of agencies and stations wherever possible. As a result of their studies, eight agencies and four stations, including caretakers, were eliminated in 1956, resulting in first year savings of $74,150 and annual savings of $46,060 thereafter. In addition, the group has proposed discontinuance of 19 additional agencies and stations, including caretakers, which would result in anticipated first year savings of $128,582 and annual savings of $88,258 thereafter.

Early in 1956, Leahy and Company, management consultants of New York, undertook a comprehensive study of our records and files. The primary results, which exceeded original forecasts, have seen about 5,000 square feet of office space being released by the destruction, transfer and consolidation of certain files. Moreover, about 18,000 square feet of storage space has been released through destruction of non-essential records and by utilizing modern records management techniques. Finally, the Boston and Maine's accumulation of some 101,000,000 pieces of paper has been reduced to 67,000,000. The Leahy organization has also completed a study of the functioning of the freight claims department, which promises a streamlining of such functions and substantial operating economies.

Allison Read and Associates have been engaged in a study of our purchases and stores department, and commendable savings have been made in our scrapping methods. Further studies are being made of our purchasing, storage and inventory procedures.

Alexander Proudfoot Company is studying certain of our shop

and engine terminal operations, on which substantial savings are anticipated.

An important development which will affect our traffic is the decision of the Ford Motor Company to discontinue the assembly of Ford automobiles at its plant in Somerville, Massachusetts. The assembling of Ford automobiles at this plant is scheduled to cease about April 11, 1957, when extensive changes will be made, leading to the assembly of the new Edsel M, which is scheduled to be shipped from Somerville about July 15. Between these dates, there will be considerable inbound material moving into Somerville. Initially, this will be the only plant producing the Edsel M, but plants in Wayne, Michigan, and Los Angeles will also produce this line at an undetermined date. It is too early to estimate to what extent our revenues will be affected by this development, but because of the anticipated smaller production of this more expensive automobile, it is evident we will not handle the volume of inbound automobile parts that we did when the Somerville plant assembled Fords. The outbound movement of the new car from Somerville will be considerable at the start, but will be reduced substantially when the Wayne and Los Angeles plants commence operations. Following the changeover, no Fords will be produced in New England, but they will be distributed in New England from the Mahwah, New Jersey, plant, and we expect to secure some automobile traffic from that source.

Worthy of mention was the so-called Iron Ore case, which now is the subject of appeal from the Interstate Commerce Commission order establishing parity among Baltimore, Philadelphia and New York, but which continued the differentials on iron ore rates between those ports and Boston. Also during 1956, our law department participated with others in seeking to establish parity on all import and export rates applying to and from North Atlantic ports. Our tariffs have been suspended, and are the subject of continuing proceedings before the Interstate Commerce Commission.

CAPITAL CHANGES

At the Annual Meeting of the Boston and Maine Railroad held April 11, 1956, the stockholders approved the action of the Board of Directors on January 20, 1956, authorizing a change in the authorized and issued shares of common stock of the railroad from $100 par value to common stock without par value. On December 11, 1956, the Interstate Commerce Commission issued authority to the railroad (1) to reclassify all its authorized 1,028,852.91 shares of common stock from $100 par value per share to common stock without par value and to issue not exceeding (a) 547,608.51 shares of com-

mon stock without par value in exchange, on a share for share basis, for a like number of shares of its $100 par value common stock now issued and outstanding; and (b) 481,244.40 shares of common stock without par value to replace a like number of shares of its $100 par value common stock now reserved for conversion of our outstanding 5% preferred stock on the basis of 1¾ shares of common stock for each share of preferred stock; (2) to increase the number of authorized shares of common stock without par value by 50,000, or to 1,078,852.91 shares; and (3) to issue and sell not exceeding 50,000 additional shares of common stock without par value, to key employees, which would be issued only upon the exercise of the options granted under and in accordance with the provisions of a stock purchase plan. The proceeds from the sale of such stock are to be used only for the Railroad's capital purposes. The change of our common stock of $100 par value to common stock without par value and the increase of authorized common stock by 50,000 shares was effected January 30, 1957.

On February 28, 1956, the Interstate Commerce Commission denied your corporation's application for approval of the plan to issue 5% income debentures due January 1, 2005, to be exchanged on a voluntary basis for the presently outstanding 5% preferred stock. The exchange of debentures for presently outstanding preferred stock would have benefitted the company through tax savings. On February 7, 1957, upon consideration of our petition dated January 24, 1957, Division 4 of the Commission granted that the proceeding for the exchange of debentures for 5% preferred stock be reopened for reconsideration on the record, as supplemented by the petition and appendices thereto.

On October 19, 1956, Sinking Fund payment of $137,648 consisting of 2,934 shares of 5% preferred stock was made in accordance with the provisions of our indentures, reducing our outstanding preferred stock at that time to 272,062 shares.

At the meeting of the Board of Directors on January 23, 1957, a 5% dividend on the preferred stock was declared, payable in four quarterly installments during 1957 from undistributed earned surplus for the years subsequent to December 31, 1939.

DEBT

The Corporation's debt outstanding as of December 31, 1956, excluding treasury holdings and bonds deposited with Trustee in lieu of mortgaged property sold, amounted to $99,423,994. This amount included conditional sale agreements of $16,386,543 and

Equipment Trust Certificates Series 1 of $11,430,000. There are outstanding 271,062 shares of 5% preferred stock and 547,608 shares of common stock.

Debt at the end of 1956 consisted of the following:

Fixed Interest:		
4% Bonds due July 1, 1960	$47,126,300	
4¾% Bonds due April 1, 1961	897,000	
5% Bonds due September 1, 1967	2,424,000	
Collateral Notes due July 31, 1957	1,664,651	
Equipment Trust Certificates Series 1	11,430,000	
Conditional Sale Agreements	16,386,543	
Total	$79,928,494	
Contingent Interest:		
4½% Bonds due July 1, 1970	$19,495,500	
Total Debt		$99,423,994

CHANGES IN DEBT

Changes in debt during the year occurred as follows:

Funded Debt reacquired:	
4% Bonds due July 1, 1960	$ 844,000
4½% Bonds due July 1, 1970	111,000
	$ 955,000
Collateral Notes issued, due July 31, 1957	714,502
Net reduction in funded debt	$ 240,498
Equipment obligations added on account of new equipment acquired	11,430,000
Equipment obligations discharged during the year	2,258,394
Net increase in equipment obligations	$ 9,171,606
Total increase in debt	$ 8,931,108

EQUIPMENT FINANCING

Orders for new equipment placed in 1955 involved the expenditure of $23,151,130. The character and estimated net cost of this equipment is shown below:

Number of Units	*Description*	*Estimated Cost Per Unit*	*Estimated Cost Total*
1,000	Steel box cars, 50-ton capacity, 50 feet 6 inches in length	$ 8,816	$ 8,816,000
539	Steel box cars, 50-ton capacity, 40 feet 6 inches in length	8,635	4,654,300
35	Steel insulated box cars, 50-ton capacity, 40 feet 6 inches in length	20,100	703,500
300	Steel triple hopper cars, 70-ton capacity	8,860	2,658,000
26	Steel covered hopper cars, 70-ton capacity	9,100	236,600
90	Steel flat cars, 50-ton capacity, 53 feet 6 inches in length	9,936	894,240
10	Steel flat cars, 50-ton capacity, 53 feet 6 inches in length with bulkhead ends	10,269	102,690
30	RDC-9 lightweight stainless steel coaches with a seating capacity of 94 seats	146,834	4,405,000
2	RDC-1 lightweight stainless steel coaches with a seating capacity of 89 seats	170,800	341,600
2	RDC-2 lightweight stainless steel baggage-coaches with a seating capacity of 70 seats	169,600	339,200
	TOTAL		$23,151,130

Funded Debt (Excluding Equipment Obligations), Fixed Rent for Leased Lines Capitalized at 6%, and Income Bonds, As of December 31, 1939 through 1956

	Fixed Interest Bonds and Notes	*Fixed Rent for Leased Lines Capitalized at 6%*	*Total Fixed Interest Debt and Rent for Leased Lines Capitalized at 6%*	*4½% Income Bonds*	*Grand Total*
1939......	$123,475,430	$20,501,667	$143,977,097	Nil	$143,977,097
1940......	73,753,200	20,750,100	94,503,300	$47,995,500	142,498,800
1941......	72,854,800	22,131,933	94,986,733	46,942,500	141,929,233
1942......	71,333,700	19,163,100	90,496,800	43,608,500	134,105,300
1943......	69,359,400	19,178,617	88,538,017	35,584,500	124,122,517
1944......	67,449,900	18,536,667	85,986,567	30,025,000	116,011,567
1945......	66,516,000	17,451,583	83,967,583	28,581,000	112,548,583
1946......	62,674,800	16,195,117	78,869,917	27,193,000	106,062,917
1947......	61,415,400	11,481,167	72,896,567	26,630,000	99,526,567
1948......	60,404,700	11,299,150	71,703,850	25,520,500	97,224,350
1949......	59,384,900	11,299,150	70,684,050	24,248,000	94,932,050
1950......	58,438,100	7,915,333	66,353,433	23,194,000	89,547,433
1951......	56,196,300	7,914,683	64,110,983	22,894,000	87,004,983
1952......	55,804,300	7,914,683	63,718,983	22,894,000	86,612,983
1953......	55,093,300	7,914,683	63,007,983	21,819,000	84,826,983
1954......	53,826,300	7,914,683	61,740,983	21,737,500	83,478,483
1955......	52,241,449	7,916,633	60,158,082	19,606,500	79,764,582
1956......	52,111,951	7,915,500	60,027,451	19,495,500	79,522,951
Decrease from peak	71,363,479	14,216,433	83,949,646	28,500,000	64,454,146
% Decrease	57.8	64.2	58.3	59.4	44.8

Fixed Charges (Excluding Interest on Equipment Obligations), and Income Bond Interest

Years 1939 to 1956

	Fixed Charges (Excluding Interest on Equip. Oblig.)	*Contingent Interest*	*Total Fixed Charges (Excl. Int. on Equip. Oblig.) and Contingent Interest*
1939	$7,122,280	Nil	$7,122,280
1940	5,676,998	*$1,055,901	6,732,899
1941	4,472,261	2,089,247	6,561,508
1942	4,687,035	2,061,444	6,748,479
1943	4,068,799	1,755,943	5,824,742
1944	3,935,303	1,438,227	5,373,530
1945	3,817,592	1,322,410	5,140,002
1946	3,619,499	1,251,403	4,870,902
1947	3,263,678	1,215,180	4,478,858
1948	3,221,774	1,175,647	4,397,421
1949	3,144,707	1,121,860	4,266,567
1950	2,917,547	1,063,317	3,980,864
1951	2,840,249	1,031,680	3,871,929
1952	2,790,774	1,030,230	3,821,004
1953	2,780,747	1,015,383	3,796,130
1954	2,728,634	979,397	3,708,031
1955	2,656,216	940,292	3,596,508
1956	2,621,893	878,994	3,500,887
Decrease from peak	4,500,387	1,210,253	3,621,393
% Decrease	63.2	57.9	50.8

* Interest from July 1, 1940 to December 31, 1940.

One thousand steel box cars, 50-ton capacity, 50 feet 6 inches in length, 26 steel covered hopper cars, 70-ton capacity, and the 34 RDC's were delivered in 1956, and the steel triple hopper cars, 70-ton capacity, are now being delivered.

Funds to pay for these units of equipment have been provided in part by the issuance of $18,510,000 (80%) principal amount of Boston and Maine Railroad Equipment Trust Certificates Series 1, and payment of the balance (20%) in cash by your Company.

On February 28, 1956, a bid was accepted for the sale of $7,230,000 principal amount of these Equipment Trust Certificates (the first installment to be issued) and on June 19, 1956, a bid was accepted for the sale of $4,200,000 principal amount of Certificates (the second installment) all of which will mature in fifteen annual installments on March 1, 1957, and on the first day of March in each year thereafter, to and including March 1, 1971. These first two issues of certificates totaling $11,430,000 principal amount bear dividends at a rate of 4½%, payable semi-annually on the first days of September and March of each year beginning September 1, 1956. On January 28, 1957, a bid was accepted for the sale of $7,080,000 principal amount of these certificates (the third and last installment to be issued) maturing on the same dates and in the same manner as the first and second installments. The certificates of the third installment of $7,080,000 principal amount bear dividends at a rate of 6%, payable semi-annually on the first days of September and March of each year, beginning March 1, 1957. Arrangements have been made with the Electro-Motive Division of General Motors Corporation for a conditional sale agreement dated as of October 16, 1956, covering fifty 1,750 H. P. Model GP-9 remanufactured diesel electric locomotives, delivery to be made commencing in February, 1957, and ending in December, 1957, financed through General Motors Acceptance Corporation; terms, ten years, rate of interest variable but will approximate 4½ per cent on the unpaid balances.

Arrangements have been made with the Budd Company for a conditional sale agreement covering three Budd cars to be delivered during the month of March, 1957; terms, ten years, down payment 20%, rate of interest 5¼% on unpaid balances.

EMPLOYEES

During 1956, your management entered upon several programs and adopted certain plans designed to increase the efficiency and morale of our employees.

Several employees are taking courses at institutions in their localities. Many of these persons attend during the evenings following the work day, and they are to be commended for their diligence and industriousness. To these employees, the railroad is extending a

helping hand wherever possible. Key executives are attending the management and executive action courses conducted in New York by the American Management Association. In cooperation with the telephone company, many of our employees are attending telephone courtesy classes, the expense of which is borne by the telephone company.

In addition, a seminar is planned for an unspecified date in 1957, its purpose being to call together a large percentage of our employees so that management can more fully explain its aims and objectives.

To our loyal and hard-working employees, the management offers its sincere thanks for their efforts in assisting us in our endeavors to place the Boston and Maine on an efficient and profitable basis. We humbly solicit your continued assistance, in order that we may restore the Boston and Maine to its rightful place as an institution of which we can all be proud.

CONCLUSION

The Boston and Maine Railroad, in the opinion of its management, faces an enviable future. The New England area is fast becoming the center of the electronics industry and, in addition, American corporations have demonstrated throughout 1956 their faith in the future of New England by expending large sums for the expansion of their facilities in the New England states.

In addition, we strongly believe that our plans for the passenger business will result in severely reducing the deficit identified with this enterprise.

At the end of 1956, your management assessed the results of its administration of the railroad, and came to the conclusion that it is faced with four main problems: a) insufficient productivity of its employes; b) passenger deficit operations; c) insufficiency of earnings; and d) improvement and maintenance of property and equipment.

It is hoped that the present management can overcome these several problems. Because of the long-range plans we have and because of the booming American economy, it is our opinion and our hope that the Boston and Maine Railroad will benefit thereof, to the end that we will regain our position as one of America's strongest, most productive and profitable transportation corporations.

Sincerely,

Oliver D. Appleton — Patrick B. McGinnis

Chairman of the Board — *President*

ASSETS

Current Assets		
Cash		$ 4,774,941(A)
U. S. Government obligations, at cost		6,455,000(B)
Special deposits		5,096,245
Receivables		7,615,578
Materials and supplies		5,574,221
Other current assets		1,705,138
Total Current Assets		$ 31,221,123
Deferred Charges, Etc.		1,798,499
Transportation and Other Physical Property		
Road	$196,269,110	
Equipment	80,838,014	
Acquisition adjustment	(3,345,079)	
Donations and grants	(214,227)	
Recorded depreciation and amortization, road	(9,234,675)	
Recorded depreciation and amortization, equipment	(22,317,541)	
Investment in transportation property	$241,995,602	
Miscellaneous physical property	868,822	
Total Transportation and Other Physical Property		242,864,424
Investments and Funds		
Affiliated companies	$ 2,542,145(C)	
Other investments	2,928,698	
Miscellaneous funds and deposits	802,075	
Total Investments and Funds		6,272,918
Total Assets		$282,156,964

(Denotes red figures)

(A) Includes Cash in Transit $1,106,727
(B) Includes $3,000,000 Pledged
(C) Includes $8,502 Pledged

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts and wages payable		$ 12,392,388
Accrued vacation pay		2,178,409
Accrued taxes		1,708,279
Interest payable		2,346,309
Other current liabilities		4,981,051
Total Current Liabilities		$ 23,606,436
Miscellaneous Liabilities		
Injury, loss and damage, and other reserves	$ 1,097,918	
Deferred liabilities	2,765,520	
Total Miscellaneous Liabilities		3,863,438
Long-Term Debt		
Fixed interest bonds:		
4%, due July 1, 1960	$47,126,300	
4¾%, due April 1, 1961	897,000	
5%, due September 1, 1967	2,424,000	
Contingent interest bonds:		
4½%, due July 1, 1970	19,495,500	
Equipment obligations, due serially 1957–1969 ($2,139,648 due within one year)	16,386,543	
Collateral notes due July 31, 1957 (secured by $2,000,000 U. S. Treasury notes)	1,664,651	
Equipment Trust Certificates Series No. 1, due serially 1957–1971 ($762,000 due within one year)	11,430,000	
Total Long-Term Debt		99,423,994 (A)
Capital Stock and Surplus		
Preferred stock, 5% $100 par value, 271,062 shares outstanding	$27,106,280 (B)	
Common stock, $100 par value, 547,608.51 shares outstanding	54,760,851	
Unearned surplus	27,119,215	
Earned surplus, appropriated	1,793,229	
Earned surplus, unappropriated	44,483,521 (C)	
Total Capital Stock and Surplus		155,263,096
Total Liabilities and Capital		$282,156,964

(A) Excludes Treasury Holdings and Bonds deposited with Trustee in Lieu of Mortgaged Property Sold:

Treasury Holdings:

Series RR 4% Bonds, due July 1, 1960	$3,718,000	
Series A 4½% Bonds, due July 1, 1970	594,000	
Series JJ 4¾% Bonds, due April 1, 1961	5,000	Deposited with Trustee
Series AC 5% Bonds, due September 1, 1967	641,000	Deposited with Trustee
	$4,958,000	

(B) Excludes 1,000 Shares Preferred Stock held in Treasury $100,000

(C) Includes Surplus earned by Lessor Companies before Consolidation

	Year 1956	*Year 1955*	*Increase (Decrease)*
OPERATING REVENUES			
Freight	$67,941,421	$66,346,979	$ 1,594,442
Passenger, mail and express	14,629,372	14,250,613	378,759
All other	5,467,727	5,309,018	158,709
TOTAL	$88,038,520	$85,906,610	$ 2,131,910
OPERATING EXPENSES			
Transportation	$39,899,147	$36,931,280	$ 2,967,867
Maintenance of way	12,567,454	12,210,333	357,121
Maintenance of equipment	11,472,103	10,894,753	577,350
General and other	6,797,813	5,693,208	1,104,605
TOTAL	$70,736,517	$65,729,574	$ 5,006,943
NET REVENUE FROM OPERATIONS	$17,302,003	$20,177,036	$(2,875,033)
TAXES (EXCEPT FEDERAL INCOME), RENTS, OTHER INCOME AND DEDUCTIONS			
Property taxes, etc.	$ 3,178,080	$ 2,964,422	$ 213,658
Payroll taxes	3,166,552	2,772,933	393,619
Equipment rents, net	6,139,479	5,937,980	201,499
Joint facility rents, net	462,516	409,534	52,982
Interest received on Federal income tax refund	—	(317,432)	317,432
Other interest, rent, and income, net	(403,022)	(257,085)	(145,937)
TOTAL	$12,543,605	$11,510,352	$ 1,033,253
INCOME AVAILABLE FOR FIXED AND CONTINGENT CHARGES	$ 4,758,398	$ 8,666,684	$(3,908,286)
FIXED AND CONTINGENT CHARGES			
Fixed interest and discount	$ 3,066,516	$ 2,731,091	$ 335,425
Contingent interest	878,994	940,292	(61,298)
Rent for leased roads and equipment	474,930	474,998	(68)
TOTAL	$ 4,420,440	$ 4,146,381	$ 274,059
INCOME BEFORE FEDERAL INCOME TAXES	$ 337,958	$ 4,520,303	$(4,182,345)
FEDERAL INCOME TAXES	(403,267)	1,197,636	(1,600,903)
NET INCOME	$ 741,225	$ 3,322,667	$(2,581,442)

(Denotes red figures)

	Appropriated	*Unappropriated*	*Total*
Balance at Beginning of Year	$ 2,844,835	$45,964,508	$48,809,343
Add			
Net income for 1956	—	741,225	741,225
Excess of principal over cost of bonds reacquired	—	163,932	163,932
Income from special funds, etc	118,704	—	118,704
Profit from sales of property, principally land	—	367,019	367,019
Other items, net	(8,737)	219,026	210,289
	$ 2,954,802	$47,455,710	$50,410,512
Deduct			
Adjustment of accrued depreciation	$ —	$ 1,929,150	$ 1,929,150
Provision for injury and loss and damage claims of prior years	—	450,000	450,000
Loss from sale of investment securities	—	379,632	379,632
Dividend appropriation	—	1,374,980	1,374,980
	$ —	$ 4,133,762	$ 4,133,762
Transfer			
Sinking fund provisions on bonds for year	$ 1,161,972	$(1,161,972)	$ —
Amount no longer restricted	(2,323,545)	2,323,545	—
	$(1,161,573)	$ 1,161,573	$ —
Balance at End of Year	$ 1,793,229	$44,483,521	$46,276,750

(Denotes red figures)

A detailed financial and statistical supplement to this Report is available. For copies, please address: Maynard W. Bullis, Boston & Maine Railroad, Boston 14, Massachusetts